UNITED
NATIONS

E

Economic and Social Council

Distr.
LIMITED

E/C.10/AC.3/1993/L.3/Add.3
10 March 1993

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Eleventh session
4-12 March 1993
Agenda item 5

ADOPTION OF THE REPORT OF THE GROUP ON ITS ELEVENTH SESSION

Draft report

Addendum

Rapporteur: G. G. M. BAK (Netherlands)

II. ACCOUNTING EDUCATION AND STRENGTHENING OF THE PROFESSION

C. Reports by international and regional organizations

37. At its 5th and 6th meetings, on 8 March, the Group considered the three reports by international and regional professional organizations:

(a) "Professional accounting education: some requirements for the year 2000 and beyond" (E/C.10/AC.3/1993/7);

(b) "Recent developments affecting the European accountancy profession" (E/C.10/AC.3/1993/8);

(c) "The education of European accountants and challenges of the international economy" (E/C.10/AC.3/1993/9).

In introducing the reports, a member of the Secretariat said that they represented the views of the various international and regional professional bodies on accounting education. Since accounting was not a purely theoretical discipline but a largely practical one, the experiences of the professional bodies were extremely relevant in improving education.

38. In commenting on the report on professional accounting education requirements (E/C.10/AC.3/1993/7), a representative of the International Federation of Accountants described the dual objectives of its Education Committee, which were to develop guidelines, papers and policies on pre-qualifying and continuing education and to act as a catalyst to bring together developed and developing countries. The Committee, under its first objective, had issued a number of guidelines on pre-qualifying education and training, tests of competence, core knowledge and professional subjects, supportive subjects, practical experience requirements, education and training for accounting technicians, the impact of information technology on the accounting profession, professional ethics, and continuing education. Regarding the second objective, he said that the Committee had developed a clearing house concept to deal with the problems among developed and developing countries. The Committee saw itself in a brokering role, and it would support member bodies which wished to assist developing countries to make applications to the World Bank for funding.

39. He stressed that if accountants were to succeed in a dynamic environment, then accounting education must give them the ability to engage in lifelong learning as well as various communication, negotiation, intellectual, accounting and personal skills. Above all, accountants had to be adaptable. It had been said that what counted was not what a person knew but what the person was capable of learning. He gave an example, in the field of information technology, of how the Institute of Chartered Accountants of Ireland was helping its older members to acquire the computer skills they needed to function in a modern work environment. He concluded by saying that a great deal was happening in the field of education, that many educational materials were available for distribution and that possibly IFAC could start an information exchange system through a newsletter or other means.

40. The expert from Jordan stated that while he appreciated the report, one had to look at the problem of accounting education from a practical aspect. Many things needed to be done in the field of accounting education, particularly for the developing countries and countries in transition. Unfortunately, the report contained nothing in the way of application which would help close the "education gap". He suggested that IFAC promote international standards for qualifying accountants and an international examination. They would solve the problem of world-wide recognition, which was currently being solved on a bilateral basis through mutual recognition. Two things were needed: a master plan for accounting education, and an international leader. The expert from Nigeria thanked IFAC for its contribution and allied himself with the statement of the expert from Jordan. He thought that the challenge could be taken on by a consortium of IFAC and the World Bank, since the Bank had the resources to fund the ideas of IFAC. Other bodies such as ISAR should also join together in the effort.

41. A number of experts commented on the stress given to general knowledge in the report, and they were of the opinion that such general knowledge was required of all professionals - not just accountants. The expert from Sudan added that it was unclear how one could distinguish pre-qualifying education from general education. He stressed the need for standardization for the benefit of better guidance to developing countries. As an example, he noted that some accounting curricula were comprised of only a small number of

subjects (the United States curriculum for CPA was comprised of about six subjects), while others were far more extensive (some European curricula were comprised of 14-18 subjects).

42. A number of experts asked specifically what IFAC was doing to help developing countries and countries in transition. The expert from Germany asked if IFAC would like to work with ISAR to develop world-wide standards for a qualification. The expert from Kenya stated that IFAC had not fulfilled its role to develop the profession worldwide and noted that probably there was a question of resources. Developing countries needed investment in accounting education and adequate standards. The expert from Gabon mentioned that programmes of structural adjustment had been forced on many African countries. He asked how could they be successful when there was no reliable accounting information, because there were no qualified accountants? Some African countries did not have even one certified public accountant. It was not enough for international organizations such as IFAC and the World Bank to have the will to help. If the World Bank was requiring structural adjustment, it should provide the means. In addition, there was not a single member country in IFAC from his group of francophone African States.

43. The expert from the Netherlands said that the report was too vague and that a more operational document was needed. He focused on four areas which could assist developing countries. They were:

(a) The distinction between different types of accountants and auditors;

(b) A focus on the career development of students. The education described in the report was what a 50- to 60-year-old professional should attain, whereas the focus should be on how young people could get into the profession. In his country there were two tracks - one via the university, and the other "learn as you work". The latter might be an important solution for developing countries, because it resulted in high quality but also gave the student the opportunity to work;

(c) The report gave the impression that accounting education was a question of assembling various building blocks, whereas education should be circular: students needed to see everything at an early stage and to continue to go into depth throughout their studies;

(d) Lastly, there was a relation between pre- and post-qualification. It was not possible to educate the student for every possible situation; some things needed to be left for post-qualification study, and that could reduce the burden of pre-qualification education.

44. The expert from Switzerland said that his country had a system of apprenticeship which might be a solution for developing countries. He agreed with the proposal of the expert from Jordan for a world-wide solution to the question of qualification. The expert from Pakistan suggested that IFAC also prepare training materials for that qualification, as had been done by the Conference of Accountants of Asia and the Pacific for accounting technicians. The expert from India remarked that the report largely discussed the education relevant to developed countries, whereas it was the developing countries that

needed the improvement. The question was how the ideals in the report could be translated into reality for the developing countries.

45. The representative of IFAC responded to the comments in general by saying that he would report them back to the Council of IFAC and that the Education Committee could take limited action on some points. The main difficulty in taking up all the proposals was one of resources. Regarding developing countries, he said that the Committee had identified Africa as an area where IFAC could be of use but that most of its efforts would be in the capacity of "catalyst". The Chair concluded the discussion of the report by again urging IFAC to harmonize educational standards.

46. The Group then turned its attention to the report which described the situation in Europe (E/C.10/AC.3/1993/8). The Secretary-General of the Federation of European Accountants noted that historically the most significant characteristic of the profession in Europe was its diversity. However, the profession was currently facing the same two challenges throughout the region. The first challenge was to respond to the marketplace, which was becoming less national and more international, and to provide more similar services throughout that market; the second was to operate within a regulatory framework which was also decreasingly national and increasingly regional and international. Education and training had to respond to both challenges. The Eighth EC Directive, by harmonizing the minimum requirements for the authorization of statutory auditors, provided a solid common base for the liberalization of the accountancy profession, including the mutual recognition of qualifications. The report focused on the response of the profession to that evolving regulatory framework. Two aspects of their profession were regulated: the services offered, and the organization of the profession. With the creation of a single economic area in Europe, considerable attention was being given to the provision of "cross-border services", based on the procedures of mutual reccgnition. The potential benefits of the European model, including the Eighth Directive, to other countries and regions were explored.

47. During consideration of its report (E/C.10/AC.3/1993/9), the representative of the European Institute for Advanced Studies on Management mentioned additional challenges facing accountants which should be considered when trying to improve accounting education. They included the expectations gap, the difficulties encountered in harmonization and the fragmentation of the profession. Too often, in his view, the education of accountants reflected a national position versus a European one, since accountants must qualify, certify and practise nationally. Nevertheless, the Eighth EC Directive tried to counter that and it was having some effect. He also mentioned the difficulties in Eastern Europe where the entire profession must make the transition to the market economy.

48. The representative of the European Community thought that the implementation of the Eighth EC Directive was leading to major modifications in the regulation of the profession of statutory auditor. He explained that some countries had decided to create a second educational title because of the different options chosen under the Fourth EC Directive, particularly for accountants who served companies not requiring a statutory audit. The directives had to have a certain respect for the national accounting

environments and, therefore, it was incorrect to state that options were an impediment to harmonization. The aim in the Community was not for complete standardization; it was necessary to allow for different treatments in the appropriate circumstances. While the text of the directives might be obscure, the alternative would be to produce a "cookbook", and he did not believe that everything should be regulated.

49. The expert from Germany, in reviewing the three reports, stated that they were not helpful because they did not propose any way to attain the educational objectives presented. He thought that the Group should discuss qualification rules and if it could reach an agreement world wide on the level of the Eighth EC Directive, many problems would be solved.

50. The experts from Bulgaria, the Czech Republic, and Poland stated that the description given in the report of the situation in their countries (E/C.10/AC.3/1993/9) did not give a faithful picture and it was suggested that the section be rewritten with the help of the experts present.

51. The representative of FIDEF commented on the role of the profession in accounting education in Africa. The profession had a double role, which was to help students acquire practical knowledge and theoretical knowledge. In countries where there was no profession - or only a small one - accountants were forced to study abroad. He urged IFAC to help strengthen the profession by supporting centres for technical training and by disseminating its standards. He called for an action plan that had targets and that made better use of the existing infrastructure.

52. In closing, the Chair said that he was glad that the developed countries were sympathetic to the developing ones but that the educational gap seemed to be widening. A global profession was needed, with global qualifications. He again asked which international organization was going to be the leader and develop a master plan for the development of education on a world-wide basis. With responsible leadership, funding would be made available. Such a plan would benefit all, since it would create an environment which had acceptable standards.

53. He also commented on the approach taken by the European Institute for Advanced Studies towards harmonization within the EC.